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The MANAGEMENT REVIEW



MARCH, 1936

When Is a Machine Old?

By CHARLES J. STILWELL, *Vice President,
The Warner & Swasey Company*

IN DEALING with this important subject, it is natural for me to think in terms of the product with which I am most familiar—machine tools. And machine tools for the purposes of this discussion are typical of all industrial machinery.

Now, first of all, let us consider the connotation of the word "old" in connection with this subject. We use the expression in ordinary conversation very freely. It has come to refer to far more than merely age. We use it when we mean "worn out"—we also use it when we mean "obsolete." Neither of these latter meanings may necessarily have to do with age in terms of years.

The fact is that depreciation and obsolescence have in the past been reckoned only too often in terms of years, instead of in terms of productivity and quality of work produced.

The vital question is: How long is a machine capable of profitable operation?—using the word "profitable" in the broadest sense of the term.

Now the minute one attempts to answer that question, one's mind leaps instantly from the general to the specific. The immediate inquiry is: What machine?

And then follow in rapid succession queries such as: How much did it cost? What shape is it in? What are you planning to use it for? What might it be replaced by? and a host of similar questions. The fact is that before you can tell whether that particular machine is "old" or not, you must

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performance make a complete case study not only of the machine, but of the plant in which it is installed and of the purposes for which it is to be used.

I propose, therefore, to approach the subject from the various angles which must be considered in order to give an intelligent reply.

Purposes of Machine Tools

Speaking generally, on a long-term basis machine tools are purchased for one or two purposes:

1. To produce "more" work. Under this category come the establishment of new plants and expansion projects undertaken for the promotion of entirely new products. To a certain extent large-scale expansion or enlargement of present productive facilities may also come under this classification.
2. To produce "better" work—work for which there is a present or imminent substantial demand—more cheaply, more rapidly, and of a better quality. In late years, these purposes have accounted for the larger volume of machine tool buying. This means that machinery must be supplied that will produce, over a sustained period of time, more parts per man hour with a greater degree of uniformity and accuracy. It gives rise to the demand for new machinery of more rugged design, of greater horse power, for the cutting of metal at constantly increasing higher speeds. It calls for machinery which will enable the final product to be sold at a cheaper price and the market to be broadened.

The difference between these two purposes may be well illustrated by the history of automobile manufacture. During the early days of rapid expansion of the industry, the demand was for new machine tools which would do the new job required of them. Then these jobs became no longer new—and the demand became one for machine tools which would do the same job more cheaply, more rapidly and better.

Now it seems probable that with the vast accumulation of technical skill and knowledge which we have already developed, future advances in manufacturing will not take the form of radically new ideas, but will consist in the main of refinements and improvements upon methods and practices already established. For this reason, with respect to machine tools, I believe that the emphasis will continue to be placed chiefly upon increased productivity and better quality of workmanship at less cost. We now know how to tackle almost any type of technical problem. The question is not one of how to go at the job in the first place—it is a question of how to do the job in the most efficient way.

No Generalization Possible

It has already become evident from this brief discussion that it is impossible to apply any generalization to the question—when is a machine old?

A machine may be young in years, but "old" in performance.

A machine "old" in years may be still "young" in performance— but altogether too costly with the arrival of the tax collector.

To determine whether a machine is due for replacement, we cannot adopt any set rule. The question must be decided upon all of the conditions surrounding each particular piece of equipment.

On the whole it might be said that a machine is old and should be replaced when a machine to replace the old machine is available on a purchase basis which will return a profit on the money invested. The problem is to determine whether such investment will return such profit. Inevitably this comes right down to a study of the individual machine in question.

Let us consider a hypothetical machine—machine No. 37 in plant No. 2 of The Jones Company. The machine is in operation. We are standing there in the plant along with the superintendent, the comptroller, and the president. We have found that there is another machine on the market which will perform that operation so much more rapidly that it will pay for itself out of resulting savings within two years and four months. Shall we buy the new machine?

The superintendent may say at this point. "Why, the old machine isn't worn out."

The comptroller may say at this point, "The machine is only five years old—it has only been depreciated on our books by 50 per cent."

Both of these remarks are utterly irrelevant to the point in question. It makes no difference that the machine is not worn out. It makes no difference whether it is two years old, five years old, or fifteen years old. The point is that it can be replaced by a new model which will show a profit on the investment made in that model.

But this alone does not decide the issue. The new model will produce far more per hour. But will such increased production be necessary? Will the orders in prospect, and logically to be expected, assure sufficient volume so that the new machine can be operated enough hours per day to get proper advantage out of its increased productivity? Savings are effected by the *operation* of machinery—not by its idleness.

Another question: Is the new machine sufficiently adaptable? Styles and specifications change rapidly in these days. Increased productivity alone is of no consequence if it cannot be turned to a reasonably wide diversity of purposes. Many a manufacturer who has equipped his plant for one

narrow line has suddenly found himself, with a shifting of trade, with a brand new obsolete plant on his hands.

It is interesting to note at this point that there has been a decided shifting in sentiment on the part of large-scale production managers away from the insistent demand of a few years ago for fully automatic and highly specialized machines, the trend at the moment being back toward more standardized or semi-automatic, or hand-operated more simplified types of equipment. Considered from the standpoint of the total plant, they have decided advantages in greater flexibility.

Now take another situation. A little further down the aisle is machine tool No. 48. Its rate of productivity is satisfactory even by comparison with the newest models. From the standpoint of operating costs alone, replacement does not appear justified. But the new model has certain refinements which make for greater accuracy and perfection of workmanship. Competition is keen. The customers' inspections are severe. In such case, failure to replace that machine by the new model may result in a loss of business far more expensive than a dozen new machines.

On the other hand, there are plenty of cases in which fairly old machines which have operated for, let us say, ten to twelve years are still capable of efficient operations both with respect to speed and cost of operation, and quality of workmanship.

We have in our plant perhaps a dozen machine tools which are a subject of embarrassment every time we look at them from a standpoint of appearance and decrepitude; and yet repeated studies satisfy us that for the few simple operations for which those machines are especially equipped, no modern day high-productive machines could do the work any faster or more cheaply. Therefore, those machines are not "old."

We also have in our plant machine tools which have long ago lost their original accuracy but can still be used as drivers or pushers for certain specially designed devices. Almost any plant in this country has among its equipment, machines that were installed ten, fifteen or twenty years ago which may be considered out-moded or obsolete when measured by the standards of modern design; yet they are used to advantage for performing some particular simple machining operations in which speed is not necessarily a requirement, in which accuracy is not of so much consequence, but in which the skill of the operator is the chief factor. For example, I think of an operation in our plant which requires the simple facing of the end of a bearing. It is not a high production job. It must be done with reasonable accuracy. And yet it is being done as fast and as cheaply on a machine that was installed in our plant 31 years ago as it could be done on any modern tool.

You are familiar, no doubt, with many ingenious adaptations of old machines that have been made to perform functions that would require an expensive investment if replaced by new machinery. Only a few weeks ago an excellent illustration was called to my attention. For the purpose of drilling extremely long holes in steel bars, a manufacturer had cut in two a whole engine lathe, mounted the two ends of a rigid support, and is now using the machine quite satisfactorily for the operation required. The cost of the adaptation was in the neighborhood of \$2,000. The cost of a new machine designed for the purpose would have been more than ten times that amount. Obviously, the old lathe sawed in two is not "old."

Now, in spite of these examples of machines old in age which cannot be practically regarded as obsolete, there are in fact very few machine tools or other producing units which cannot today be profitably replaced by newly designed modern types of production machinery. I have mentioned these old machines which are still capable of practicable use—and especially the machines in our own plant—to bring home the fact that the machine tool builder of today knows better than to attempt to sell a new model simply because it is new—or arbitrarily to condemn an old machine simply because it is old. We are in our own plants too familiar with problems of the use of machine tools from a standpoint of practical experience, to venture into the field of sales on any basis save that of hard, proved facts.

Machine Tools from the Financial Side

There is another aspect of the subject of obsolescence which appears to be of growing importance, and while it is aside from the purely engineering consideration of the subject, it must by no means be disregarded. Theoretically the common procedure is to set up manufacturing equipment in permanent assets, and put into operation some plan of depreciation whereby the equipment is written off in some period of time representing the economic life of that equipment. Also, theoretically, such a program contemplates the setting aside out of income, for the purchase of new equipment, an amount of money represented by the depreciation account. If an actual survey were made it would probably be found that few concerns maintain a separate account ear-marked for equipment replacement, and for this reason many companies find themselves suddenly in possession of outworn plants and minus the cash to re-equip them. However, let us follow through the theoretical set-up.

Let us assume that the depreciation period adopted for accounting purposes is ten years, that depreciation is taken off over that period, and at the end of that time the equipment involved is completely written off. And for purposes of our illustration let us assume that in the case in point the equip-

ment thus written off is still in fairly good producing condition at the end of the depreciation period.

Recent opinion expressed by responsible accountants leads us to believe that any considerable accumulation of equipment completely written off but still in use may prove a serious liability rather than a continued asset.

This is because of the present attitude, and the indicated future attitude, of the United States Treasury with respect to situations of this sort. When a manufacturing concern has accumulated a surplus which may possibly be considered larger than necessary, and when at the same time there is discovered the existence of equipment entirely written off but still operating at a profit, we may quite possibly find a situation in which the accumulated surplus, plus the written-off equipment, may place the rate of depreciation employed in a most unfavorable light. In such case, taxing officials having established to their satisfaction an improper rate of depreciation might quite easily review past years and assess additional taxes. It is quite easy to imagine a still further step—that of establishing a new and lower depreciation, and consequently higher taxes in future years. Thus, written-off machinery still usable and against which a replacement fund has been set aside may turn out to prove that even though plant equipment is still usable to a certain extent, it is in reality “old” and “obsolete” in an extremely uncomfortable sense of the word.

Comparative Method Essential

If we take into consideration the relation of plant equipment to other plant equipment, the relation and determination of its value both from a mechanical and financial standpoint, it seems to me that a manufacturer accomplishes very little by wandering around his plant trying to determine what is old. He might settle his difficulties much more easily by keeping in touch with machine tool builders to find out *what is new*.

The above statement calls for a definition of the word “new.” If the word “old” means, in substance, “unable to produce as much profit per dollar as a new machine,” the word “new” must perforce mean “able to produce more profit per dollar than an old machine.”

The realization of this fact upon the part of machine tool builders has revolutionized methods of selling machine tools.

I hesitate to admit the fact that not so many years ago, altogether too many machine tool salesmen were selling machine tools on the same basis that the automobile salesman sold a new car to the young heiress.

“Isn’t this a magnificent job?” the machine tool salesman would say. “Just look at the lines, the finish, the build, the appearance. It’s the most

modern thing on the market. Just look at this gadget, that thingumbob, and the other contraption. It's a knockout."

No longer can the machine tool salesman "get by" with that type of an approach. The manufacturer is not buying a machine; he is buying increased productivity. He is buying decreased operating costs. He is buying larger profits for his company—and if he is to purchase the machine tool in question, he must be shown in black and white in cold, calculating arithmetic exactly what that machine tool will do for him.

The effective machine tool salesman of today does not peddle merchandise. He analyzes costs in the prospect's plant. His chief concern is not the product of his own company, but the problems of the company which he hopes to sell.

His first step is to gain the permission of the manufacturer to allow him to enter the plant, to study the operations, determine costs. And this is not done in terms of generalities—it must be done for each individual machine, in the light of the job which that machine is performing today and is expected to perform in the future.

Only when the machine tool representative has before him a mathematical picture of present operating costs of a plant's current machine tool equipment, is he in a position to talk intelligently about what savings might be effected in that plant by specific machine tool replacements.

When he has completed such a study, he will lay it before the manufacturer. The manufacturer need not then worry over the question, "When is a machine old?" The answer will lie in the figures.

Current Comment

TODAY'S NEED FOR TRAINING

TODAY there are some millions of people unemployed including many thousands of skilled workers. Yet executives responsible for the management of manufacturing enterprises are sincerely troubled over the danger of a future shortage of skilled workers. This is a curious paradox.

Without reflection it is hard to believe in such a present or potential shortage. Available government statistics offer no proof of it. Yet the testimony of industrial managers is supported by reasonable considerations. The prolonged depression has created a potential shortage of many kinds of skilled and semi-skilled labor.

During the last few years, lack of employment openings prevented the recruiting and training of young people as apprentices and learners of the skilled labor trades. Then, too, skilled workers who were laid off have turned to other means of making a living. To some extent certain types of emergency relief have unfitted specialized craftsmen for their former occupations.

Long time trends tend to accentuate the difficulty. Extended use of automatic machines and the breaking down of tasks into small units has led to less training of all-around skilled workers. Restrictions upon immigration have shut off what was once a worth-while source of recruits to the ranks of skilled workers.

Pages could be filled with interesting and very human stories that have come to light as employers of skilled labor have sought former skilled workmen and found them reluctant to return to their old occupations.

"A sudden rise to normal production would find industry as a whole short by at least 20 per cent of the minimum number of skilled workers plus reserve necessary to operate plants on

a continuing basis of efficiency and profit," says L. C. Morrow, editor of *Factory Management and Maintenance*, after surveying the situation.

Truly we are beginning to be aware of the demoralization of employment conditions created by a period of profound depression. The problem is one of infinite complexity. As industries participate more fully in the general recovery movement, they increase the demand for certain kinds of labor in certain districts, rather than for any kind of labor, anywhere.

Only by the best of far-sighted management can industry meet this potential shortage. It is because the more progressive companies realize this that discussion of training needs and training programs played such a significant part in the recent AMA Personnel Conference in Chicago.

It is to meet this need that those planning the program for the Production Conference in Cleveland, April 16-17, have placed first on the program a discussion of "Rebuilding the Working Force."

Today industry collectively, and in single companies, must consider: Where are our future skilled workers to be recruited? How are they to be trained? How can we insure the selection of the most trainable and adaptable? How can flexibility and versatility in the working force be achieved?

Industry already is working in these directions. Vestibule schools, retraining to new tasks, making use of older workers—these and other plans are helping. Cooperative action through trade association and through support of continuation schools and other community effort is desirable. The State and Federal governments can help, perhaps especially in the building-up of an efficient public employment service able to place registered technicians in key positions as they develop.

This development of training activities is one of management's most important responsibilities today—indeed the training need extends beyond the skilled worker into supervisory and other fields. Industry and business will meet this need as they have done others by a far-sighted appreciation of what is best for the American people and institutions as well as for the future well being and profit of industry itself.

ALVIN E. DODD

THE MANAGEMENT INDEX*

Abstracts and News Items

GENERAL MANAGEMENT

Business Situation Summarized

Business activity during December reached a peak for the recovery period, closing a year of gradual and substantial improvement. Qualitative changes in conditions during the year were equally as important as the quantitative gains. Nevertheless, the statistics reveal a continuing lack of balance in our economy, which was remedied only partially by the broadening of the recovery movement during the past year.

Industrial production during January has not shown the usual seasonal increase, a not unexpected condition in view of the degree of expansion during the latter half of 1935, during which the seasonally adjusted index of production advanced from 86 to 103 per cent of the 1923-25 average. Industrial output did not decline to the customary seasonal extent in December, due not only to the larger production of steel and automobiles, but also to the favorable trend of production in the textile, leather manufactures, agricultural implements and machinery, tobacco manufacturing, rubber manufacturing, coal, and numerous other industries.

While the production of some leading industries has increased during January, these gains have been offset by the recession in the production of such leading commodities as steel and automobiles. The expansion in employment in December was one of a series of monthly increases which were a feature of 1935. The number em-

ployed in January, 1936, in all industries combined was considerably higher than a year ago, and the per capita earnings of those employed was also larger. Despite the widespread increase in the number at work, the volume of unemployment in January was still very large. *Survey of Current Business*, February, 1936, United States Department of Commerce, p. 3:2.

Population and Building Construction: A Revision

The author of this article presented in the February, 1934, issue of this same journal an analysis of the relation between population increase and volume of residential construction from 1920 to 1930. From this analysis and an accompanying chart, tentative estimates were drawn of probable building volume for the present decade. These are reproduced in this article, and inasmuch as volume of new residential construction for the first half of this decade has been far short of what the analysis suggested, revision is made in line with additional facts affecting the situation, and the prospect for the remainder of the decade and beyond are discussed.

The explanation for the low volume of urban residential construction since 1930 justifies an expectation of appreciably larger volume of such construction for the remainder of the decade, the author points out. As for the long-term view, he states that volume of residential construction when population becomes more or less

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stable, say after about 1950, will depend upon the average life of dwellings, and if that life is to be more than the hypothetical 40 or 60 years, the prospective volume of construction after 1950 will be reduced accordingly. By Frank J. Hallauer. *The Journal of Land and Public Utility Economics*, February, 1936, p. 12:7.

First Public Low-Cost Housing Project in New York

The first slum-clearance project undertaken by the New York City Housing Authority has been completed with federal assistance in materials and labor, and money raised by means of bonds and mortgages sold to private individuals by the Housing Authority. The new buildings were officially dedicated early in December, 1935, within two years of the passage of legislation whereby it became possible to establish city housing authorities. Eight buildings, containing 122 apartments, have been constructed. Most of the apartment units have three rooms and rent for \$5 to \$7 per room per month. Sponsors of the project view it as a successful beginning of a program for improved low-cost housing. *Monthly Labor Review*, January, 1936, p. 110:2.

Inflation and Prices

In discussing the possibilities of inflation the author points out the following facts.

Since 1933 price advances have been preponderately in farm products and foods, and the advance in these two lines is due to causes (such as AAA and drought) that have little to do with inflation and devaluation. Price advances in other lines since 1933 represent largely normal recoveries from depression lows. These increases were also stimulated by higher production costs and by abnormal world political conditions.

Production and employment, he continues, will probably rise until the Federal Reserve index of industrial production reaches 120. This will be accompanied by a wholesale price increase of not

more than 10 per cent. There is no immediate indication of loan increases that would draw upon the three billion of excess reserves in the nation's banks, and even when such borrowings do appear, an increased industrial production to considerably above the 120 index (to the limits of present plant capacity) will be necessary before a shortage of goods forces price increases.

Only a "flight into commodities," he concludes, following loss of confidence in the currency (engendered by radical legislation or increased government expenditure) would tend to precipitate a general price increase of consequence. By David Friday. *Bankers Monthly*, February, 1936, p. 71:5.

Review of Cooperative Movement Throughout the World in 1934

More than 139 million persons in 42 countries are members of cooperative societies of different types. Data gathered from various sources show that three-fifths of these belonged to consumers' societies and slightly over one-fifth were engaged in agricultural cooperation. The retail consumers' societies had an annual business of more than 12 billion dollars, and the cooperative wholesale societies a combined turn-over of over 900 million dollars. In Great Britain the retail societies returned to their members in one year (1934) more than 115 million dollars in interest on share capital and rebates on purchases. An added saving of nearly 16 million dollars was made for member retail societies by the three wholesale societies of the country. Comparative figures for all of the countries of the world for which data could be obtained are given in the article. *Monthly Labor Review*, January, 1936, p. 80:21.

Clients' Opinions of the Adjustment Service

This study reports the attempt to learn what the clients of the Adjustment Service thought of the help they had received and the extent to which they had acted

upon the suggestions made to them. The following statements are made:

"Taking into consideration all indications expressed in the answers, it was found that 80 per cent of the 1,543 clients responding to the questionnaire indicated that they had benefited in one way or another from their contacts with the Adjustment Service.

"It is clear that a large majority of the clients of the Adjustment Service felt that the Service had been of benefit to them in a better understanding of themselves and of the opportunities open to them. They believed that they had formulated suitable plans for better personal adjustment and that they had received worthwhile suggestions as to ways in which these plans could be carried out." By L. S. Hawkins and Harry N. Fialkin. *American Association for Adult Education*, New York, 1935. 95 pages.

This Changing Food Business

Comments on chain stores, super-markets, independent stores, voluntary groups, legislation, taxation and other trends in food distribution. An address delivered at the convention of the National American Wholesale Grocers Association, January 20, 1936, by Carl W. Dipman, editor of *The Progressive Grocer*. 30 pages.

General Characterization of Foreign Tariffs and Commercial Policies During 1935

Notwithstanding recovery of varying degrees in their internal economic situation, the year 1935 was marked in most foreign countries by a substantial continuance or even accentuation of import restrictions. On the balance, these tendencies probably outweighed the notable but as yet few instances of easing of trade barriers during the past year. The result has been that foreign markets have afforded only little increased opportunity for American exports as a whole.

Barring any outstanding new adverse developments during 1936, the resistance to many classes of American export products

arising from foreign trade barriers may be expected to be appreciably reduced during the new year, as a result of the operation of the ten reciprocal trade agreements that had been concluded by the United States up to February 15, 1936. By Henry Chalmers. *Commerce Reports*, February 15, 1936, p. 115:1.

Depreciation Dollars

An unpredicted boom in the capital goods industries will result from meeting the need for reconstruction and replacement of only our wholly depreciated buildings and other capital goods, this article says. Horse-sense understanding of one of the most misunderstood economic elements—depreciation—is all that is required to start the boom, the author believes. He declares that really successful firms are those that have systematically set aside depreciation reserves as actual funds to be expended only for restoration of depreciated values. They recognize these funds as having been received from customers for the purpose of maintaining plant and equipment in prime condition and for no other purpose. These firms also recognize that it is just as important to expend depreciation reserves to offset depreciation's ravages as it is to collect them from their customers by including them in their costs. By William Lucius Churchill. *Factory Management and Maintenance*, February, 1936, p. 69:3.

Opportunities in Europe

The president of the International Business Machines Corp. gives figures on European population and production to show its great need for importing basic raw materials. Trade to European people, he says, is vital to a point difficult for Americans to understand. Trade barriers, an uneven balance of trade, and the resulting necessity of paying in gold by debtor countries without sufficient gold, efforts by nations to attain the impossible end of self-sufficiency, all contribute to the restriction of international commerce, and tend to the accumulation of excessive armaments.

The present trend of world thought and action, he points out, augurs well for further improvement of trade and industry in Europe. Should this continue, the author believes we may hope to see a spread of normal economic conditions which will bring security and peace throughout the world. By Thomas J. Watson. *Review of Reviews*, February, 1936, p. 21:2.

Wages of Seamen on American Vessels in Overseas Trade, 1934

Wages of seamen and officers on American vessels engaged in overseas trade vary with size of ship and class of cargo. In general, seamen on vessels carrying freight only, receive less than on those carrying both freight and passengers. The highest

wage rates for seamen are paid on combination freight-and-passenger vessels of under 5,000 tons. Wages on these vessels averaged \$61.45 per month in 1934. The lowest wages (\$56.30) were those paid on combination freight-and-passenger vessels of over 5,000 tons engaged in other than South and Central American trade. Salaries of officers varied more widely than the wages of the men, ranging from \$159.55 per month on freight vessels of less than 5,000 tons to \$183.31 on ships of more than 5,000 tons carrying both freight and passengers. These data are based on an analysis of reports from 39 companies, operating 400 ships, showing wages and salaries paid in the summer of 1934. *Monthly Labor Review*, January, 1936, p. 10:13.

FINANCIAL MANAGEMENT

The Commodity Dollar

After discussing the commodity dollar from all its angles the author says: "The difficulties and dangers of unstable international exchanges are being increasingly recognized. Sooner or later stability must be achieved. We may hope to see such stability combined at some future date with measures to prevent important long-term changes in international price levels, but stability in exchanges must come first, and stability in price levels follow when and as it can be brought about. In the meantime, and even with an ultimate greater stability in international price levels, there is a minimum degree of flexibility in domestic price and wage levels (perhaps in the scale of 10 per cent) which must be maintained if we are to avoid periodic economic deadlocks which cannot be resolved by currency or credit manipulation, and which can be liquidated only by the drastic processes of business depression.

"This situation is fully realized by many leaders in economic thought, but they have hesitated to set themselves in opposition to the current popular clamor for arbitrary wage determinations. Their obligation is,

however, to tell the facts plainly and repeatedly until there is a workable clarification of the present confused public and legislative thinking on matters of wages, prices, and currency. Fortunately, as to the wage problem, which is the most difficult element in this composite, there appears to be at least one tested and psychologically effective solution. By M. C. Rorty. *Harvard Business Review*, Winter Number, 1936, p. 133:13.

Cut Rate Money

As a practical example of the situations that arise in the face of an inflexible credit policy, the author describes the present condition of the credit supply in "marginal" areas.

The influence of "risk" on interest rates, he says, is illustrated by the lower rates prevailing in old well-established districts than in new and sparsely-settled districts. The uniform rate of interest established throughout the nation by the Government, and based on lending policies adopted as a result of experience in the older and more stable communities, is therefore driving private capital out of

those areas where the risk or cost of operation is high. Government agencies, left as the sole source of supply, therefore, find themselves unable either to withdraw or to raise rates.

If the Government continues to come to the rescue by inflation or grant, the author continues, "the situation . . . can continue only so long as the Government can borrow the money and Congress is willing to appropriate it." By Wood Netherland. *Banking*, February, 1936, p. 17:2.

What's Ahead for the Market?

It is pointed out that the current situation again illustrates the wisdom of continuing to shape investment policy in line with the long-term inflation-recovery probabilities. With immediate support from business less dynamic, extension of the present rally must depend on sustained inflationary sentiment and this doubt suggests conservatism in short-term speculation. By A. T. Miller. *The Magazine of Wall Street*, February 1, 1936, p. 430:2.

The Townsend Scheme

This brief report is intended to describe "as simply as possible" the Townsend plan and how its advocates expect it to operate, and to explain how it would actually operate if it were put into effect. *National Industrial Conference Board Studies*, Number 219, February, 1936. 42 pages.

Banking Problems of the Next Decade

There are two major aspects of banking that deserve attention. One is the existing possibility of a major expansion in bank credit, and the other is the changing character of bank assets and liabilities. The pressure for credit expansion is probably far greater today than at any time during the 1920's. Whether this expansion may get out of bounds and become excessive is something no one can predict with certainty.

The difference between the banks which failed and those which remained open in the last five years is to be found largely in

the difference in the quality of assets which they possessed. We failed to maintain proper standards of quality for bank assets. Of the numerous proposals for monetary and banking reform in this country, few recognize this simple but fundamental diagnosis.

Commercial banks are taking on more and more the characteristics of investment trusts in that they are investing the savings of the people. Yet they assume obligations which no investment trust in the world could assume with safety, namely, they guarantee the return of the depositors' money in full at any time irrespective of conditions in the securities markets. All risks are assumed by the banks and none by the investor in the guise of a depositor. By J. H. Riddle. *The Bankers Magazine*, February, 1936, p. 135:8.

Government Banking

The author says that if the attitude of the Federal authorities toward the banks in the matter of interest rates of all sorts could be simplified into a single phrase it would probably be merely: "It is up to the banks." Further on he says, "The Government proposes to get out of the banking business, but only upon its own terms."

In this article the regulation of interest on deposits, the competition in rates charged customers, and the position of Government bankers are analyzed. By George E. Anderson. *Banking*, February, 1936, p. 37:4.

Examination of Financial Statements by Public Accountants

This bulletin is, in effect, a restatement of the guiding principles and approved methods which it is believed should prevail in public accounting practice and corporate reporting. It is a revision of the bulletin published by the American Institute of Accountants in 1929. The earlier publication dealt primarily with examinations of financial statements for credit purposes.

The bulletin states that the accountant

should consider, and be in sympathy with the growing demand that statements should be more informative and more easily understood by the reader. It suggests, for example, that balance sheets and profit and loss statements might be presented in comparative form; or that there might be given supporting and supplemental statements showing changes in investments, property, plant and equipment and reserves, or more condensed summaries of changes in the financial position. Published by the *American Institute of Accountants*, January, 1936. 41 pages.

The Industrial Advance Program of the Federal Reserve System

The author of this study summarizes his conclusions as follows: 1. There was no widespread effective demand for industrial working capital credit which was not being accommodated by the commercial banks in 1934, and probably ever since the banking panic in March, 1933. There was undoubtedly a few isolated cases where qualified borrowers were unable to secure needed accommodation from local banks, but it would seem that most such borrowers could have obtained credit from the federal re-

serve banks under provisions of the Act of July 21, 1932.

2. There appears to have been little general demand, prior to June, 1934, for so-called intermediate industrial credit which was not being met by existing credit agencies. The demand for such credit which has appeared in the form of industrial advances appears for the most part to be disguised demand for fixed capital financing.

3. The industrial advances program thus far has assisted large borrowers much more than the smaller industrial concerns for which it was primarily created.

4. Industrial advance loans are largely high-risk loans made to border-line credit risks which almost certainly involve difficult collections and abnormal loss charge-offs. The average credit risk probably does not justify lending rates as low as six per cent.

5. Direct industrial advances by the federal reserve banks thus far have not involved, and in the future are not likely to involve, direct competition with commercial banks. By James C. Dolley. *The Quarterly Journal of Economics*, February, 1936, p. 229:46.

INSURANCE*

Agents' Authority—Oral Agreements to Renew

What is the authority of an agent and how far can he go in imposing an obligation on his principal? It is well established that an agreement to insure need not necessarily be in writing, but if the agent seeks to bind the company by some oral agreement, the matter becomes more complex, and generally speaking, an agent authorized to issue policies may obligate his company by an oral contract. In order for the company to be bound, however, the circumstances of the particular case must be such as to warrant the conclusion that

the agent has the *apparent* authority to enter the oral contract.

The foregoing are only a few of many points brought out in a series of court decisions which will be found in this article. By Joseph L. Roesch. *The Spectator*, January 16, 1936, p. 24:3.

Sees Insurance Serving the Public Better

Ralph H. Blanchard of Columbia University points out that the American insurance structure has, in all its departments, developed in response to detailed needs as they have manifested themselves

* Insurance abstracts are contributed by P. D. BETTERLEY, Assistant Treasurer, Graton & Knight Company.

from the time of the simple operations of individual underwriters to that of the complex business of the present intricate organizations. But there has been no attempt to examine the structure as a whole and to remold it to suit the times.

Insurance has a single all-pervading justification, the elimination of risk. But it often seems that in the immediate urgency of detailed practical problems, this great principle is forgotten. Possibly every organization that is formed to improve the situation finds itself concerned with a multiple of insistent questions and its capable executives are given no opportunity to think or to act broadly.

When new times and discoveries demand revision, there should be no feeling that loyalty to a traditional way of doing things stands in the way. The first suggestion is

for the development of truly comprehensive insurance contracts, for insurance against loss as such, rather than against loss due to specific causes. The responsibility for analyzing the hazard of loss would be put on the insurance carrier or its representative, where it belongs.

Insureds of all classes would be more adequately protected if they could purchase deductible insurance, paying small losses themselves and relieving insurers of the loss and expense occasioned by them.

One might be led to the conclusion that the insurance business needs some sort of research organization to observe continuously its whole fabric, to set up hypothetical solutions of problems, and to subject them to trained scrutiny. By Ralph H. Blanchard. *Journal of Commerce*, January 20, 1936, second section, p. 1A:2.

OFFICE MANAGEMENT

More Accurate Business Control With 13-Period Calendar

"Our experience with the 13-period calendar," writes the secretary-treasurer of Canada Packers Limited, Toronto, Canada, "has proved to be decidedly successful with no serious drawbacks." All vital accounting and statistical records are set up on a weekly basis with Thursday as closing day. The author states that the 13-period calendar has provided more accurate control of business operations, and has simplified payroll and other expense account calculations. By S. G. Brock. *Executives Service Bulletin*, February, 1936, p. 6:1.

Putting Employees' Suggestions to Work

The management of the Nashua Gummed and Coated Paper Company of Nashua, N. H., put through a number of very successful changes in its organization by following out the suggestions and ideas of employees. Employees were assembled and told the needs of the company, and were asked to express their opinions,

In the stenographic department the company established tasks, fixed rates, and made real savings in costs without discharging any of the stenographers or reducing their earnings. In the transcribing section, when the girls were asked for suggestions, they brought up the difficulties arising from the inequality, and often, the indistinctness of dictation. The manager suggested that each girl rate the dictators on a quality basis. The publication of these ratings brought an improvement in the quality and carefulness of dictation.

A new plan facilitated the work of the file clerks. All mail for filing was sent to the filing department late each afternoon, and on the following morning for the first hour and a half, the file clerks were not to be interrupted, but were to file what had been sent them the previous day. The method of pay was changed, the girls being paid so much per pound of correspondence filed instead of a weekly salary.

The head of the accounting department suggested the drastic change of eliminating

monthly statements. From customers it was learned that to sixty-five per cent of them the monthly statement was of no value, and to the remaining thirty-five per cent it served merely as a check upon invoices that might have been misplaced. A plan was fixed by which statements were only sent to those customers who wanted them, but in general the system could be cut out. By A. L. White. *The Office Economist*, January-February, 1936, p. 6:2.

A Basis of Planning Office Administration

Mr. Rowland, Executive Secretary of the Life Office Management Association, sets the tone of his article by describing the efforts of a company to smooth out a "bottle-neck" department by intelligent and efficient speeding up of clerical work, routing, personnel selection, etc. In this enthusiasm for "scientific" management, however, the fundamental truth was overlooked that the entire department was unnecessary, and the sixteen clerks and a supervisor were finally substituted with greater satisfaction by one-half the time of a single Ditto operator.

A Departmental Operating Audit is recommended for the critical scrutiny of

every operating feature of a home-office unit. This Audit is classified and subdivided by the author, and suggestions are made at each point for fruitful changes. By Frank L. Rowland. *Personnel Journal*, January-February, 1936, p. 284:7.

How About a Five-Year Plan for Your Business?

Business men, says the author of this article, can learn a lesson from General Douglas MacArthur, who submitted a comprehensive program—a five-year plan—for the modernization, mechanization and speeding up of the army into a model fighting force. His object was to improve efficiency and to do away with rifles that went back to 1918, and guns that could be moved in times of emergency at a speed of only seven to eight miles an hour.

Make a plan for the development of your business during the next five years. Set up objectives for every department and arrange for annual or semi-annual check-ups to find out whether these objectives are being attained. A few points to check—personnel; personnel training; equipment; advertising; dealer distribution plan. By H. J. Kelly. *The Office Economist*, January-February, 1936, p. 4:2.

PRODUCTION MANAGEMENT

General: Promotion, Organisation, Policy, Development

Leadership Within Industrial Organizations

The author of this article makes four generalizations with respect to group behavior: 1. Group integration depends on routine relations between people developed over a period of time; 2. A group will resist any outside threat to its own integrity by withdrawing into a self-made shell, and so ceasing to collaborate effectively with the larger society around it; 3. Change to be acceptable to a group must come from within, and must appear as the visible need of its present activities; 4. No society or

organization is averse to change provided the initiative for that change takes place at the relevant level—at that level where the daily activities have shown the need. Under those conditions change will present itself not as an interruption, but as the natural flow of social living. By T. N. Whitehead. *Harvard Business Review*, Winter Number, 1936, p. 161:11:

Production Planning and Control

Production planning and control as it is known in the General Electric Company, says the author, is coordinated management

which, like engineering, has become an exact science. The routine which he describes is applicable to the small plant or to the various departments of large plants.

The first step in the system is organization, centralized under one man (the production supervisor), thus placing authority as well as responsibility. The plan is then broken down into three divisions: planning, performance, and accounts.

Besides the author's own detailed analysis and break-down of these three divisions, the article contains a departmental organization chart and a compact outline of the plan showing the classification of each operation included under the three main headings. By T. M. Landy. *The Society for the Advancement of Management Journal*, January, 1936, p. 3:6.

Panics Can't Hurt This Firm

The Royal Metal Manufacturing Company has been trying a new kind of policy. Instead of aiming for continual expansion, they restrict yearly production and sales to \$1,500,000. Mr. Salomon, the president, believes that in the long run, a steady, moderate profit is preferable to the gamble of abnormally high profits one year and abnormally low ones the next.

Planning the work on this basis, there is no pressure, undue excitement, or sudden loads that the personnel must contend with. Work goes along at a reasonable rate, and everyone has time to do his work well and enjoy doing it. The salesmen do not have to practice high pressure salesmanship, they can spend their time seeing that the customers are satisfied and getting proper service. The company receives a certain prestige from this policy of limited sales; it can turn down orders and recommend competitors.

It would seem that such a policy would enable the company to cut down or eliminate its advertising, but on the contrary, this company is preparing for periods of harder times, it has increased its advertising which is of an institutional nature and is building its reputation and increas-

ing its prestige. An Interview by P. H. Erbes, Jr. with Irving Salomon. *Printers Ink*, February 13, 1936, p. 7:5.

Shall We Quit or Modernize?

Remember the plant that was struck by lightning and then underwent a process of rejuvenation through wholesale replacement? Well, here is another one that had the same experience. After losing business for several years, the plant was struck by lightning, and it was a problem whether to be relieved and forget about the whole thing, or renew the struggle. The struggle was renewed the way it should have always been carried on—with good up-to-date equipment, and success resulted.

This article is the third prize winner in *The Iron Age* modernization contest that was staged in connection with the Machine Tool Exposition. By G. A. Walker. *The Iron Age*, February 13, 1936, p. 34:3.

Publicity About the Facts of Business

Should employees be given a knowledge of the essential facts of the operation of the business? There are some firms who hold that it is more important for the employees to know these things than it is for the shareholders to do so. Such firms believe that, unless the management can secure the unqualified confidence of the employees, it is impossible to operate on a wholly efficient basis. Without such confidence, it is not easy to raise the human efficiency to the same level as the mechanical efficiency. *Industry Illustrated*, January, 1936, p. 28:1.

Personal Contact With Personnel

The fundamental aim of his organization, says the president of The Stanley Chemical Company, East Britain, Conn., is to have the men realize that the contribution of each is an important element in the common success, and that without the loyalty, honesty, and hard work of the employees, the business would naturally fail, and every-

one would be out of a job. He recommends that each executive know his men personally, know their hopes, their troubles and their limitations. Thus, greater progress in social science could be made, he believes. Some workers lack a fundamental understanding of business. They must be made to realize that unless capital used gets a return, it runs away. His firm has helped its employees untangle their own personal financial difficulties, and has generally established a firm relationship between management and workers. By William S. Rowland. *Executives Service Bulletin*, February, 1936, p. 3:2.

How Packard Jumped From Red to Black Within One Year

In 1934, the Packard Motor Car Company, Detroit, produced 6,071 automobiles. In 1935, the same company produced 52,256 automobiles—an all-time high record for Packard.

In 1934, again, this manufacturer reported a deficit of \$7,290,549. In 1935, it is estimated, the same company earned net profits of approximately \$3,000,000.

In other words, it is stated, Packard, in a single year, converted a huge deficit into a large profit by making a big investment in new and modern machinery. Numerous

pictures, charts, and descriptions of machinery are included in the article. *Mill & Factory*, February, 1936, p. 28:13.

Determining Profits a Year Ahead

This article describes the work of the controller in the William Wrigley, Jr., Company. Wrigley works on what is called a "predetermined profit plan." The budget, established for a year ahead, forecasts the profits for a year in advance. Year after year, it is stated, this budget proves a surprisingly accurate forecast of accurate results. Every department head in the early part of the year must prepare a budget for the year ahead. As the various department heads submit their budgets to the controller, it is his job to coordinate all budgeted activities. The chief purpose of the budget is to teach every department head and responsible executive to plan ahead, and to make his plans to keep step with every other department. Frequent comparison of budgets enables the controller to put his finger on the weak spots, and to take steps to correct them before the weaknesses pyramid. "Follow through," is the essence of the Wrigley organization. By Eugene Whitmore. *American Business*, February, 1936, p. 9:4.

Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration

How To Cut Your Payroll Tax

A method of reducing the tax imposed under the Social Security Act is the objective of all industrial organizations at present. What is the price to be paid by employers for protection for their workers? The fact is, according to this writer, that escape from the whole burden is nearly impossible.

However one thing can be done—employers can regularize employment, and thereby obtain a cut in their tax. If, after three years' trial of the new law an employer shows an excess of payments into

the fund over benefits paid to his employees, his tax is reduced from the basic three per cent (which will be the Federal rate in January, 1938). An immediate relief from the full tax may be obtained under what the states call "guaranteed employment plans." In such cases the law authorizes the Commission to exempt any employer who guarantees, under a plan approved by the Commission, "continuous employment" in advance for each worker, now employed or hereafter hired.

Stabilization of employment is not impossible, the author says, but it is diffi-

cult, for it requires the determination to stabilize, and adequate records of employment.

Well-known concerns have used the following suggestions in their effort to stabilize employment of workers:

1. Transfer employees from one task to another, rather than lay men off when their particular work is done.

2. Letting out on contract short-time jobs, rather than to take on extra men for brief intervals. This method keeps casual workers and short-time employees off the payroll, while yet getting the work done when required.

3. Changes in sales policies, such as offering special discounts or long dating, so that goods will flow in more even distribution throughout year.

4. Expanding selling into new territories where seasons dovetail with established markets.

5. Reducing variety, number of patterns, models, etc., of goods manufactured.

6. Increasing variety or adding new products to line.

7. Adjusting working hours, staggering hours or days or weeks, so as to balance working hours and reduce peak load per day, week or month. By H. A. Haring. *The Iron Age*, February 6, 1936, p. 24:4.

Always With Us

The author describes a study made by the American Public Welfare Association of the position of "Unemployables" now that the federal relief agencies have turned all those too old, too young, or too handicapped to work back to local agencies to be taken care of.

The outstanding fact in the report of the study is that this transfer to local responsibility has meant a sharp cut in family budgets already far below a health and decency standard. Inadequate resources, legal limitations, untrained and politically-minded administrators, an emphasis on eligibility rather than need, all contribute to the situation.

On one side the author depicts a picture

of old, sick, burdened, helpless people without present resources or hope for the future, and on the other, all too often a total lack of intelligent planning, archaic laws and agencies, inadequate resources, confusion, petty politics, and buck passing. By Beulah Amidon. *Survey Graphic*, February, 1936, p. 107:6.

National Labor Relations Act

The general manager of the Associated Industries of Cleveland notices a tendency to assume that no attention need be paid to the provisions of the National Labor Relations Act, and points out that "inequitable though its provisions are" it is still in full force and effect.

Next to the inequities of the provisions which protect unions from interference at the hands of employers while according employers and their employees no protection from coercion and interference at the hands of the unions, he says, the majority rule provision is "in the opinion of the nation's leading lawyers, the most unconscionable provision of the Act." By William Frew Long. *The Cleveland*, February, 1936, p. 3:2.

Industrial Homework—A Menace to Labor Standards

Thousands of women are unwittingly turning their homes into "sweatshops" by working for industry. Because family incomes have been rendered inadequate and because manufacturers in many industries seek to stimulate homework to decrease their costs, this situation exists.

The rates of pay for such work are so low that very long hours are necessary, children are often asked to assist, family responsibilities are neglected, and already overcrowded homes become even more congested. The effect of this industrial homework, spread throughout the United States, reaches out and drags down the wages of factory workers and threatens the health of the consumer.

Fifteen States have passed laws aimed at

prohibiting or regulating homework, but the only real solution, the author points out, is complete prohibition in every State, since the homework is scattered and hard to trace, the products are shipped from one State to another, enforcement in one community drives unscrupulous employers to new localities, and regular inspection of conditions in homes is impossible.

Handicraft production centers have been recommended to safeguard skilled women who want to sell products made in their spare time, but present public information distinguishing this work from industrial homework is inadequate for putting such recommendations into effect. By Bertha Nienburg. *Labor Information Bulletin*, January, 1936, p. 3:3.

Editor's Note: For further material on this subject, see "The Commercialization of the Home Through Industrial Home Work." United States Department of Labor, Women's Bureau, *Bulletin No. 135*, 1935. 49 pages.

Ontario Procedure in Settlement of Workmen's Compensation Claims

Two features of the Ontario workmen's compensation administration have attracted widespread attention—liberality of benefits to workmen and simplicity of procedure in settling claims. The key to the simple procedure is the provision of the act which makes the workmen's compensation board's decisions upon claims "final and conclusive" and not "open to question or review in any court." Such a provision has made possible a system of claim adjustment which is economical, prompt, uncontroversial, and free from "red tape." After 20 years of experience with this plan, both employers and employees pronounce it satisfactory. By Marshall Dawson. *Monthly Labor Review*, January, 1936, p. 1:9.

Employee Elections in Industry

Professor Wolman of Columbia University, formerly Chairman of the Automobile Labor Board, introduces his article with the question, which he describes as

"one of the fascinating puzzles of American history," of why 85 per cent of American workingmen in manufacturing, trade, transportation, agriculture, and other occupations have failed to join labor organizations.

The enactment of Section 7 (a) of the NIRA and of the amendments to the Railway Labor Act, he says, provided the means whereby social psychologists and students of labor relations hoped to satisfy their curiosity concerning the true attitude of labor toward unions, company unions and individualism.

He tabulates in the article the results of elections held by nine boards under these two laws, and mentions factors which greatly limit any interpretation of these results. By Leo Wolman. *Personnel Journal*, January-February, 1936, p. 243:4.

The Social Security Act and Company Pension Policy

This report takes up the main distinctions between unemployment insurance and old-age annuity provisions, contrasting attitudes toward the Social Security Act, how the Social Security Act is likely to alter company pension policy, intentions of companies with private pension plans, attitude of employees, and the situation on railroads.

It contains a table showing the policies expected to be followed with regard to company pension plans in 218 companies when the Act takes effect. By Harold F. Browne. Conference Board Information Service: Domestic Affairs Series, *Memo-randum No. 47*, National Industrial Conference Board, Inc., February 10, 1936. 21 pages.

State Labor Legislation, 1935

The legislatures of 47 States met during 1935, and enacted a large number of laws of interest to labor. With this new legislation, there are now 11 unemployment-insurance laws, including that of the District of Columbia, while 39 states, 2 territories, and the District of Columbia have old-age pension laws.

New laws were enacted during the year providing assistance to dependent children and to indigent blind, and many amendments were made to former laws on these subjects. The legislation of 1935 makes a total of 41 States accepting the national employment-agency law, and 24 States ratifying the child-labor amendment. A brief summary of the most important legislation is given in the article. *Monthly Labor Review*, January, 1936, p. 121:19.

The Doctor's Point of View. 2. Always Ill and Never Ill

The author, who is medical officer of a factory employing between 2,000 and 3,000 girl workers, here describes two contrasted classes—the girl who is always ill, and the girl who is never ill. In the first class the psychoneurotic type predominates. The author gives some illustrative case-histories, and suggests that much can be done for girls of this type by a sympathetic discussion of personal difficulties. The “never ill” class contains a certain number of girls of the “compulsionistic” type, who achieve regularity only at an immense cost in nervous and physical strain; but the majority are healthy, well-adjusted individuals with varied interests, who enjoy social contacts and are interested in the opposite sex. By T. O. Garland. *The Human Factor*, February, 1936, p. 66:6.

Changes Necessary in Company Pension Plans

Since the enactment of the Social Security Act there are two courses open to companies now having a retirement plan, according to the author who is in the Industrial Relations Department of the Eastman Kodak Company.

Abandonment of the plan, the first course, is not advocated by the author, if the net result would be a smaller benefit to the employee. The continuance of the more liberal plan presents an unusual opportunity to build employee good will, and

the limitations of the federal plan mark it as a minimum to be supplemented as far as possible by the employer.

Modification of the plan, the second course, can be made, preferably, on an individual basis, by reducing the employer's and employee's share of the company annuity in proportion to the amount provided by each under the federal plan. If the plan is non-contributory a similar principle could be followed.

A second method of modification, by reducing the general percentage basis of participation under the company plan in some proportion to the federal benefits, presents the difficulty, if applied to all present employees, of accentuating the disproportion of benefits existing under the federal law.

The author concludes by pointing out how the federal plan favors the people now approaching age 65, and places the burden of cost on the younger group. By C. P. Cochrane. *Personnel Journal*, January-February, 1936, p. 237:6.

Problems of Workmen's Compensation Legislation

No two workmen's compensation acts (pioneer legislation in American social security which has been enacted in 46 States) are exactly alike. Aside from many minor differences, the State laws differ in the method of insuring workers against accidents and in the type of administrative procedure. Some of the various methods of carrying insurance among the States are by private stock or mutual-insurance companies, by a State fund exclusively, by a State fund as well as private insurance carriers, and in addition most States permit certain responsible employers to carry their own compensation risks.

In administrative procedure six states have court administration. The majority have compensation commissions, a more advantageous type since the courts are not equipped to render the needed service and since injured workers cannot afford the delay, the expense, the waste of time, or

the uncertainty involved in court trials. There are also differences in the commission procedure, due largely to the provisions of the workmen's compensation law which relate to appeals to the courts from the decision of the commission, allowing the procedure to be burdened with red tape. The expertness of the compensation commission and the turn-over in personnel are important factors. Years of experience

and study are necessary to master the subject of administration of workmen's compensation.

Although no perfect example or "model" of workmen's compensation administration and insurance yet exists, the goal of adequate compensation machinery is now in sight, according to the author. By Marshall Dawson. *Labor Information Bulletin*, January, 1936, p. 6:2.

Shop Methods: *Industrial Engineering, Standardisation, Waste, Rate Setting, Time and Motion Study*

Machine Tools—Old or New

It is no longer safe to "stall along" to see what is going to happen, says the vice president of The Warner & Swasey Co., it has already happened. Competition has again come to the fore in its old aggressive style. The problem which he discusses is what to do with machinery which is neither completely obsolete nor entirely satisfactory. Generalizations about replacing the oldest one first, etc., simply do not apply he says, because of the variable factors. A study has to be made of each machine in the light of the job which that machine is expected to do.

The machine tool builder's aid and experience are extremely valuable, he continues, in solving this problem. He can make a report showing what present machines on a job can do, what new machines on that job could do, the savings in production costs effected, and the length of time required for the new machines to pay for themselves. It is not a matter of sales talk, it is a matter of arithmetic; in the long run, he concludes, the machine tool builder has only one thing to sell—profits. By C. S. Stilwell. *Mill & Factory*, February, 1936, p. 43:4.

Engineering Control of Occupational-Disease Hazard

The following procedure is outlined in this article for the engineer to utilize in his plant as his part in the control of oc-

cupational-disease hazards: He should make a permanent list of the materials used in his plant and keep the list up to date. He should be informed concerning the injurious properties of the hazardous materials used. He should determine which of the potentially hazardous conditions are actually causing injury to health and should be controlled. He should engineer the control measures, preferably checking the completeness of control by determinations of the injurious materials in the air breathed by the worker. He should institute routines of maintenance and check-up determinations.

The manner in which this procedure could be followed was outlined in connection with the simple operation of sand-blasting. This same procedure can be utilized, says the author, for the control of health hazards of similarly simple operations or of the most complex operations where a variety of hazardous materials are involved. By Warren A. Cook. *Mechanical Engineering*, February, 1936, p. 105:4.

720 Ways to Save Power

The Corning Glass Works, in an effort to cut costs, set up an organization within the plant known as the Expense Reduction Committee. Power saving was just one phase of the work of the committee, and it is that phase that is described in this article. The Power Saving Committee commenced activity with an inspection committee of which about half were trained

men who could recognize power wastes; the other half were representative employees. Each inspection was limited to the area that could be covered thoroughly in one hour. A report was submitted, listing each item of power waste noticed. After the plant had been entirely covered by the first inspections, the reports were assembled and analyzed. A general meeting of all foremen, assistant foremen, committee members, and representative employees was called. Their attention was called to the most obvious of the power wastes, and their united cooperation was asked to help reduce these wastes.

Since the start of the drive, 720 recommendations for saving power have been turned in by the committee. After 19 months the power curve is still downward. By Alfred Vaksdal and Frederick S. Kriger. *Factory Management and Maintenance*, February, 1936, p. 52:4.

Operating Characteristics in Relation to Manufacturing Cost

In industry today, the author points out, the measure of effectiveness of a machine tool or piece of mechanical equipment is

likely to be the number of units of product that can pass through it, or over it, in a given length of time, consistent with quality. Particularly with equipment where the tool cost is comparatively high, this is not always true.

He points out that the machine operator is usually compensated in direct proportion to his production, and his main interest lies in keeping this at a maximum. Whether the tool cost increases abnormally with increasing rates of production is usually of secondary consideration to him.

The purpose of this article is to show how essential it is to find out how equipment already owned operates so as to control it to the end that it shall be used at a point that will prove most economical consistent with quality. The author's experience indicates that the proper combinations of speeds, feeds, types of tools, etc., to provide minimum production costs, must be determined empirically directly on the product to be manufactured.

With the aid of graphs he makes an analysis of a grinding machine to illustrate his point. By Robert Erickson. *Mill & Factory*, February, 1936, p. 39:7.

Training and Education: *Schools, Libraries, Employee Publications*

A New Technique in Executive Training

The director of training at the Eastman Kodak Company describes his company's organization as departmentalized along the lines of product and nature of activity, with executive responsibility on the person heading each unit of organization. This set-up while resulting in effective performance makes it difficult to get uniformity in the application of company policy. To accomplish this last aim the "new technique in executive training" described in the article was worked out through a series of groups—a steering group, leader groups, and supervisors' groups.

The outstanding features of the program are these: The job of management and supervision, based on the difficulties to be

mastered, and the nature of responsibilities and relationships to be understood by supervision, was analyzed. The subject matter was organized along the lines of the major responsibilities of management and supervision, personnel cost, quality and schedule. Text was used to present a statement of management's policies, and discussion in supervisors' groups was limited to development of interpretation and application of such policies and, where possible and necessary, to the revision of existing, or development of new, policy.

Supervisory and management training was combined in the same program by means of the leader groups. Responsibility for supervisory training as a function of the line organization was set up, making

possible a minimum training staff by having the training done by executives and staff employees in the departments.

The plan has not only been successful in achieving its aim of defining management's attitudes, insuring uniform interpretation of policy, and demarcating lines of authority and responsibility, but has brought in its wake valuable "by-product" advantages. By A. B. Gates. *The Society for the Advancement of Management Journal*, January, 1936, p. 9:6.

Skilled Labor in the Making

The author speaks of the factors which have caused the present shortage of skilled labor. He attributes this situation mainly to the breakdown of the American apprenticeship system. There are other factors at work, however, developing a small group of skilled workers, and the most potent influence here is the nation's vocational school system. In this connection he describes the Vocational High School of Toledo, the primary purpose of which is to advance the individual by helping youths choose, learn and master a trade. The school maintains close contact with Toledo industries. It offers to industry the facilities for foreman training, leads foremen's conferences, and plans conference leadership programs. The school also maintains an employment service.

Besides vocational schools, the author suggests developing skilled labor through training of workers by foremen and developing hobbies for the workers, as there is convincing evidence that hobbies and spare time work are a factor in developing skill among industrial workers. By Joseph K. Close. *The Iron Age*, February 20, 1936, p. 28-A:3.

Training for Industrial Management

One of the greatest difficulties in the way of finding the right type of men for management is the absence of standards which can be applied to their selection. Industry has not spoken as a body of the

requirements it needs to be met in its administration, and it has devised no means of measuring the ability or capacity of those it hopes to train for industrial control.

At present, due to neglect of the study of personnel selection, the method is haphazard and invites wastage, selection depending mainly upon educational qualifications. Some insist that the professionally trained man, whether engineer or accountant, is the most suitable for administrative responsibility. The tendency is towards the greatest confidence in the technician who responds to management training. The British National Institute of Industrial Psychology comments that it has not been possible to formulate specific psychological tests for the selection of men likely to prove capable managers. Qualifications vary from industry to industry, but general intelligence can be tested, and temperamental qualifications can be assessed. This information when used to supplement a knowledge of the practical requirements of the industry, indicates the suitability of the candidate. Though the existence of scientific management presupposes a science of management, there is also an art of management. Whereas, in the former, numerous schedules and schemes have been formulated, it is not possible to dogmatize to a similar extent regarding the art of management. By H. N. Munro. *Industry Illustrated*, January, 1936, p. 10:4.

Recruitment for Industry

The author defines "recruitment" as the selection, education and training in the widest sense of every grade of personnel required for industrial and commercial purposes. He deals with his subject under the following heads: Changes in industrial conditions; the recruitment of manual and staff workers as exemplified in a large industrial organization, training for leadership in industry; and the significance of international economic experiments.

Among his conclusions he states that it is not unlikely that before long we shall

see a reverse of the tendency of the past few years when there were diminishing opportunities for young people in industry and commerce, that closer cooperation and coordination between industry and education are of the greatest importance, that large organizations with adequate facilities for personnel training should provide training not merely for their own requirements, but for the needs of smaller concerns which lack facilities, and that the importance of the best selection and training for all grades of personnel in industry and commerce cannot be overemphasized. By A. P. M. Fleming. *Labour Management*, February, 1936, p. 22:5.

Adding to the Craftmen's Skill

In order to make the usefulness of welding equipment known to plant managers and executives, the welding equipment manufacturers opened up welding schools with the result that today the equipment is standard in all plants where machinery is used and castings produced.

Schools for electric welding and vitreous

enameling are also in existence. Ingersoll-Rand's training course for engineers is described in the article. *Manufacturing and Industrial Engineering*, January, 1936, p. 16:1.

Solving the Personnel Problem

Here the personnel director, Economical-Cunningham Drug Stores, Detroit, outlines the completely reorganized procedure of the personnel department. He explains in detail the steps involved in hiring, training, developing and disciplining new employees. The article is accompanied by several illustrations which include an application blank and employee's record; bulletins for the employee to read—one regarding rules for handling cash registers, another entitled "Why We Operate a Service Department"; forms used to check personal references; employment slip introducing the new employee to the supervisor or store manager; payroll change notice and payroll removal notice. By Harry K. Armstrong. *Chain Store Age (Druggist Edition)*, February, 1936, p. 46:4.

MARKETING MANAGEMENT

Scientific Determination of Regional Sales Potentials

There is a definite need, says the writer of this article, for an accurate measurement of sales possibilities in different parts of the country, and also for a measure of business changes in different sections which may be used in making necessary adjustments. The principal purposes of market evaluation are: to discover strong and weak spots in distribution; to establish sales quotas; to allocate the proper amount of advertising to each part of the country; to help in the choice of media for placing advertising.

A method of correlation was devised by which only those factors are chosen, after exploration, which show a definite correlation on a per capita basis with sales of the product being studied. The factors are

then combined by multiple correlation, yielding an approximate index of sales potentials.

Although general buying power alone does not correctly measure the market for most commodities, nevertheless it is usually one factor. Accordingly the first step in applying the correlation principle was to develop a general index of per capita buying power. When this was done, the retail sales figures from the 1930 Census of Distribution had not come through. Retail sales by counties in Pennsylvania were used as the basic series in discovering the proper factors to use. After trying out 12 or 15 such factors, the following were finally selected: Number of income tax returns; number of domestic lighting customers; bank deposits; combined circulation of four magazines. These four factors were com-

bined by multiple correlation, and show a coefficient of about 90 with Pennsylvania retail sales. This index was then set up by states for the whole country. It has shown a high degree of accuracy. By L. D. H. Weld. *The American Marketing Journal*, January, 1936, p. 32:6.

A. N. A. President Challenges Advertising Costs

Mr. Paul B. West, President of the Association of National Advertisers, Inc., here comes out in the plainest kind of language and, in effect, propounds this question: Has the constant increase in cost of advertising in the face of marked shrinkage in advertising budgets, coupled with a substantial reduction in consumer purchasing power, created a set of conditions which has all of us in its grip?

Mr. West asks if the advertising business has the courage to conduct a research in advertising similar to the one made by the Brookings Institution in the general economic field. He quotes *Fortune's* editorial comment on that research, "... The inquiry is the first scientific survey of underlying economic facts as distinguished from underlying hopes and fears. ..." By Paul B. West. *Printers' Ink*, January 30, 1936, p. 7:10.

How 93 Markets Stand in Per Capita Food Sales

While primarily of interest to food manufacturers and distributors, this article may suggest a similar analysis for firms in other industries. It shows, among other things, that of the 20 best markets for food in the United States, 18 are located along the Atlantic Seaboard in states where the number of gainful agricultural workers is relatively small. By Constance Harris. *Sales Management*, February 1, 1936, p. 140:2.

How Cities Differ in Their Magazine Reading Habits

This is the nineteenth of a series of surveys and studies sponsored by *Sales Management* and the Market Research Corpo-

ration of America. The study—appearing in two parts—was planned by Dr. Paul Lazarsfeld and executed under his direction by the newly chartered University of Newark.

Twenty-one magazines and one national newspaper were selected, the majority of them with their most intensive distribution in large cities; seventy-six large cities were selected and their circulations divided by the number of thousands-of-families. There is a full-page table with the article showing the circulation of each of the 22 magazines in the 76 cities in terms of circulation per thousand families. Different tables can be derived from this main table and various interpretations put on the figures. *Sales Management*, February 15, 1936, p. 218:4.

The Economic Approach to Merchandising Problems

The economic approach to merchandising problems requires, among other things, (1) a wide recognition of the consumer purchasing agent theory of retailing; (2) a better knowledge of general business conditions; (3) a more careful analysis of price factors in buying; (4) greatly improved methods of costing which will assist in segregating constant, variable and joint costs; and finally, (5) vigorous opposition to price fixing devices which aim to freeze the retail price structure. By Q. Forrest Walker. *The American Marketing Journal*, January, 1936, p. 92:6.

Competitive Price Lines

The author makes a strong case against the manufacturer of a specialty or a general line in the higher price range bringing out a competitive price line, in order to rout his rivals, etc. The rival will probably turn out to be all virility and vitality, and will simply flourish on the competition.

The manufacturer's salesmen, the jobbers' salesmen and the retailers, each in turn is described losing interest and stopping sales work on the primary line. The author finally breaks the camel's back by punctur-

ing the fond belief of manufacturers that the identity of the maker of the secondary line can be kept secret. "This assumption isn't even naive," he says, "it's downright silly." By R. J. Dube. *Printers' Ink*, January 30, 1936, p. 17:4.

Market Research Activities in the Department of Commerce

The Department of Commerce is making a definite effort to fill some of the more important gaps in existing knowledge of marketing facts. Among the more important needs at the present time are indexes of marketing trends, both wholesale and retail. Factual material in the field of industrial marketing is sadly lacking; very little information is available on the marketing of commodities in the form of raw materials and semi-finished products. Another field which has had much less scientific consideration than is warranted by its significance is that of consumer research. Very little information has been compiled in the important field of cooperative wholesaling and retailing, which it is estimated in the grocery field, already exceeds the regular grocery chain store business in number of stores if not in volume of sales. The Department has sought to fill these gaps through source books, current monthly reports, annual reports, periodical reports, and periodicals. By Wilford L. White, *The American Marketing Journal*, January, 1936, p. 25:7.

The Human Factor in Marketing

The importance of human behavior to business men and students of marketing was emphasized by Professor Tosdal in his presidential address delivered before the annual convention of the National Association of Marketing Teachers at New York last December. Discussing the types of human behavior, Professor Tosdal contrasts individual and group behavior and their influence upon consumer needs and wants and related problems. The need for determining consumer needs and wants and the marketing approach to this problem is

followed by an analysis of such other marketing phases of human behavior as—the relation of advertising and other selling forces, personal selection and training, and public relations. In concluding, he points out the need for cooperation between public agencies, trade associations, private business, and private research to determine a better understanding of the relation of human behavior to marketing problems. By Harry R. Tosdal. *The National Marketing Review*, Winter, 1936, p. 195:9.

How Much Dynamite Is Hidden in Special Allowances?

With special discounts under fire at Washington, and with the threat of legislation to curb allowance abuses, many a manufacturer faces the necessity of re-appraising his own company price policies. Here is an article which looks at both the argument for and against special concessions to volume buyers, and comes to some conclusions.

Each concern must make its own decision, says the author, but these two principles deserve consideration: First, it is unsound to spend money in price concessions unless it can be conclusively shown that the same money will not yield equal returns when used in positive selling. Second, it is courting business suicide to sell any portion of the output at net prices so low that loss would result if the entire output were sold at those prices. By Albert Haring. *Sales Management*, February 15, 1936, p. 212:2.

Marketing Analysis as a Function of Management

Marketing research should be extended in its use as a means of determining proper long range policies, the author of this article contends. He points out the necessity of forecasting changes in marketing conditions as an aid to management. He distinguishes between marketing research as an instrument of policy making and marketing research as an instrument for facilitating marketing procedure. He

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offers constructive criticism of certain managerial weaknesses. By L. M. Hersey. *The National Marketing Review*. Winter, 1936, p. 247:7.

Transport—Distribution

The author of this article develops a point of view that has received relatively little attention. He calls attention to the problem of the intra-state movement of commodities which at present is an out-

growth of the old horse and dray epoch and which is one of the causes of the high costs of distribution which prevail today. This problem is discussed from the standpoint of its relation to merchandise distribution, land values, railroad transportation and to motor transport. Attention is called to the need for further research in this field. By J. Rowland Bibbins. *The National Marketing Review*, Winter, 1936, p. 232:8.

Salesmanship

Merchandising Education for Salesmen Increased Good Will—and Sales

This company's salesmen were faced by buyers who were afraid of overstocking, afraid of slow turnover; buyers whose pressing problem was how to sell, not how to buy. The vice president tells how his company met the situation by discarding conventional ideas, providing intensive merchandising training for its salesmen, and sending them back on the road as qualified advisers. The article tells how the plan worked: "Its success was immediate." By Walter H. Diemer. *Executives Service Bulletin*, February, 1936, p. 7:2.

Sales Planning and Control for Profit

Sales work should be centered around a study of sales potentialities, upon which the cost of selling, including advertising and sales promotion, should be computed for

the purpose of fixing profitable prices. The sales engineer, Heald Machine Company, Worcester, Mass., explains how a detailed study of the company's entire sales activities has resulted in decreased selling costs and increased sales. An important step was the study of the market which was considered from eight angles: 1. a detailed study of all industries and the possible application of Heald equipment in each; 2. a study of worth while potential buying units according to industries, location, personnel and the ability of the firm to buy the product; 3. the present uses in each industry; 4. the additional application and new uses in each industry; 5. business conditions in each industry; 6. seasonal variation as affecting purchases; 7. obsolescence and replacement in each industry; 8. frequency of purchase. By Clifford T. Appleton. *Industrial Marketing*, February, 1936, p. 19:3.

Books Received

Wall Street: Asset or Liability? By James Goodwin Hodgson. H. W. Wilson, New York, 1934. 253 pages. \$1.25.

Individualism and Socialism. By Kirby Page. Farrar & Rinehart, New York, 1933. 367 pages. \$2.50.

Democracy, Debts and Disarmament. By Walton Newbold. E. P. Dutton, New York, 1933. 343 pages. \$3.00.

Keeping a Sound Mind. By John J. B. Morgan. Macmillan, New York, 1934. 440 pages. \$2.00.

The Dollar, the Franc and Inflation. By Eleanor Lansing Dulles. Macmillan, New York, 1933. 106 pages. \$1.25.

Town & Country Planning. By Patrick Abercrombie. Henry Holt, New York, 1933. 256 pages. \$1.25.

Intensive Sales Management. By J. C. Aspley. The Dartnell Corporation, Chicago, 1929. 273 pages. \$3.75.

A History of Bolshevism. By Arthur Rosenberg. Oxford University Press, New York, 1934. 246 pages. \$3.75.

Financial Examination. By F. W. Thornton. American Institute Publishing Co., New York, 1933. 282 pages. \$2.00.

How Safe Is Life Insurance? By L. Seth Schnitman. Vanguard Press, New York, 1933. 256 pages. \$2.00.

A Guide to Civilized Loafing. By H. A. Overstreet. W. W. Norton, New York, 1934. 223 pages. \$2.00.

After Reflation What? By Irving Fisher. Adelphi, New York, 1933. 148 pages. \$1.50.

Control from the Top. By Francis Neilson. G. P. Putnam's Sons, New York, 1933. 190 pages. \$1.50.

Labor and Steel. By Horace B. Davis. International Publishers, New York, 1933. 304 pages. \$2.00.

Survey of Books for Executives

Administrative Labor Legislation. By John B. Andrews. Harper & Brothers, New York, 1936. 231 pages. \$2.50.

This book is addressed to the problem of the extent to which it is desirable for legislative bodies to delegate legislative authority to administrative bodies. The author points to the "hot oil" and Schechter decisions of the United States Supreme Court as bringing to the fore the question of the delegation of legislative powers. This delegating has been going on for a score of years, but it has reached its highest development in the field of labor legislation, he says.

Concerning the two decisions mentioned in the foregoing paragraph, the author says: "These and similar decisions, however, do not take issue with the principle of administrative legislation. They merely show that the courts will insist that legislatures shall provide proper limitations and safeguards when they delegate rule-making power.

"Administrative regulation is severely criticized and opposed by some as a dangerous delegation of the legislative function. By others it is defended and advocated as a highly necessary and constructive social invention for dealing with complex problems of governmental control. As

a practical matter, however, administrative rule-making is now unquestionably a permanent part of the technique of government in America."

He says also: "It is clear that the legislatures, in extending to appropriate administrative authorities the great powers implied in this so-called delegation should fix clearly the limits within which the power is to be exercised, should prescribe a specific method of procedure, and should in every case require that an adequate record be made of the process, and that these legally enforceable regulations be made at least as readily available through systematic publication as the statute laws adopted by the legislature."

Who's Who in Commerce and Industry. Institute for Research in Biography, Inc., New York, 1936. 1190 pages. \$15.00. The aim of this work was to furnish a reference book which would serve as an index to the careers of outstanding industrial and financial executives in the United States and Canada. The volume contains 6,516 biographical sketches of important officers of industrial corporations, utilities, banks, railroads, insurance companies and other firms.

A special section records the biographies

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One hundred and sixteen pages of the book have been devoted to a Corporation Directory, which lists the names and addresses of 4,445 industrial corporations, etc., with the names and positions of the officers whose sketches are included in the Biographical Section.

The book will be revised biennially.

Occupational Abilities: A Study of Unemployed Men. By N. W. Morton. Oxford University Press, Toronto, 1935. 279 pages. \$3.00.

The investigation which is described in this volume was devised in order to study the level and relationship of certain occupational abilities of groups of employed and unemployed men in Montreal, and the bearing of age, education, nationality, length of unemployment, and other personal factors upon these abilities. The method of approach is largely a statistical one.

A number of psychological tests were used in examining the general mental level and the special aptitudes and personal traits of the unemployed men specially studied.

Seven groups of unemployed men examined showed considerable variation in their general level of mental ability, educational status, and special aptitudes, and in the occupational classes which they represented. A comparison of employed and unemployed office clerks provided a basis for the conclusion that the employed group tended to be slightly older, to be of higher educational status, to have higher scores upon tests of intelligence and clerical ability, and to be emotionally more stable.

A comparison of groups of unemployed men in receipt and not in receipt of unem-

ployment relief indicated that the relief groups were appreciably older, owing in part to the presence of many recent school graduates in the non-relief groups.

The age of unemployed men was found to vary inversely in a consistent manner with their scores upon tests of intelligence and with recency of unemployment. It tended on the whole to bear no relation to education, mechanical ability or personality deviations.

Earnings of Skilled Workers in a Manufacturing Enterprise, 1878 to 1930. By Evan Benner Alderfer. University of Pennsylvania Press, Philadelphia, 1935. 88 pages. \$1.50.

This is number xxvii of the Research Studies of the Industrial Research Department of the Wharton School of Finance and Commerce. The identity of the company is not revealed. All of the data come from the books of original entry of this company. The author indicates that the sections on actual annual earnings, labor turnover, effect of mechanization on earnings and employment, and effect of business cycles on the variability and skew of earnings will be of special interest to economists; and the sections of special interest to labor managers and industrial psychologists are those on regularity and deviation of employment, extent of inequality of earnings among individual workers, relation between age and earning capacity and the occupational experience of certain long-service employees.

How to Get Publicity. By Milton Wright. McGraw-Hill Book Company, Inc., New York., 1935. 226 pages. \$2.00.

The author of this volume seeks to give a complete picture of publicity and the means of securing it. He has sought to make his book a practical one that examines the tools, the techniques and art of getting publicity for an enterprise. That the work of the publicist is an art, the author has no doubt. He points out that there are few hard and fast rules. Two public-

ity men of equivalent ability and equivalent training will attack the same problem in fashions utterly different, and yet one may turn out as successful as the other.

"But with it all," he says, "as in any art, there is a definite technique to be followed in much of the practice of publicity, a technique without which few workers in the field could expect to accomplish very much. To get results in publicity, you must know the mediums in which you work and you must know how to handle your tools."

Mr. Wright then examines the various kinds of publicity, the techniques which are necessary for each, some standard practices, relations with editors, the newspaper set-up, the creation of the story, etc. He offers numerous examples attesting the value of publicity—how it has turned apparent business failures into great successes—how it has given enterprises an aspect of kindly benevolence—changed completely the popular conceptions of various persons.

Directory of New England Manufacturers, 1936. George D. Hall, Inc., Boston, Massachusetts, 1935. 684 pages. \$10.

This directory contains about 15,000 New England firm names, arranged alphabetically, giving names of executives, number of employees, capitalization, and product. A Geographical Section locates markets and sources of supply under states, cities or towns. A Product Section lists the manufacturers under their classification, and a Trade-name Section identifies makers of products where the brand is familiar but the maker unknown.

National Economic Security. By Arthur B. Adams. University of Oklahoma Press, Norman, Oklahoma, 1936. 328 pages. \$2.50.

This volume attempts to give a complete statement of the economic condition of the country after six years of depression and three years of the New Deal. It looks to the country's past for the conditions which produced its economic unbalance, examines the possible bases upon which national eco-

nomic security may be attained now and preserved in the future.

It is pointed out that, as many of the New Deal recovery measures are being undermined by court decisions, opposition by business and industry, and the abandonment of earlier announced objectives, the status of the individual member of economic society becomes precarious in the extreme. Mr. Adams attempts to clarify the question which will be one of the principal issues of the 1936 political campaign—what becomes of the previous pledges to increase the individual's purchasing power?

Never clearly accepted, perhaps never clearly understood, the idea of increasing the consumer's purchasing power re-emerges, the author says, at what appears to be the end of our first great experimental era to plague the politician, the social reformer, and the man in the street. It must be re-examined, he believes, and steps taken to make it effective in our national life, or we may face the alternatives so eloquently demonstrated in our previous history under the rules of *laissez faire*.

Iron and Steel Companies in Years of Prosperity and Depression. By Herman Hollis Chapman. Published by the author, Tuscaloosa, Alabama, 1935. 316 pages.

The author has compiled a mass of data on the subject of the ways in which business concerns react in the various stages of the business cycle and has applied methods of analysis to this data. A fairly well defined group of corporations was chosen, representing a distinct industry (the iron and steel industry) and the annual reports from 1914 to 1931 were studied.

America Strikes Back. By Gustavus Myers. Ives Washburn, Inc., New York, 1936. 408 pages. \$3.75.

Dollar-chasing, avarice and "pitiless commercialism," have long been regarded as a distinct—even the distinguishing—characteristic of the American heritage and tradition. This, the author holds, is a

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myth perpetrated by foreign critics who were largely motivated by jealousy. In this volume, Mr. Myers seeks to debunk this legend.

Greed, accompanied by cheap and dishonest business practices fostered by unscrupulous magnates, has been associated, he says, with us so persistently by other nations that we ourselves have come to accept the charge as truth and receive the blows deserved. In reality, he points out, this same greed was rampant in Europe when Indians were the only Americans.

In this "Record of Contrasts," the author goes back into European history searching for the crudities and barbarisms which, it has been asserted, find blossom predominantly on the American scene. A mere scratching of the surface of this history reveals atrocities of politics, commercialism, and slavery. Profiteering and unscrupulousness, the author says, flowered first in Europe, and every madness for money that has been ascribed to America, was first seen abroad.

In the last War, European profiteers were many, and many of them were stockholders in the American companies that have been criticized for their high war profits, Mr. Myers declares. In substance the book disposes of the belief that American politics are more corrupt than those of foreign countries, and that American business men are more rapacious than European business men.

The Ghost in the Balance Sheet. By Challiss Gore. Scientific Press, Inc., New York, 1935. 51 pages. \$1.00.

This book is written for those who would keep a vigilant eye on depreciation and obsolescence reserves, and to warn them against the dangers of treating it as a "bookkeeping item." The philosophy of "make the most of today for tomorrow we die" may be the right thing for individuals, the author says, but it is a perfect design for killing a business. He describes firms which lived happily and prosperously for a time until they began to have their esti-

mates on work rejected with alarming regularity. Investigation showed that competitors had gone ahead with buying more modern machinery. The firms that had "lived for today" found that they had no money with which to buy machines that would put them on a basis with their competitors. The result—foundering completely or at best proceeding in a more-dead-than-alive manner.

Depreciation reserves, should, very definitely, the author believes, be maintained in an ear-marked fund, which means investment in securities.

Balance or Chaos. By Scoville Hamlin. Richard R. Smith, New York, 1935. 346 pages. \$2.00.

This book attempts to show how a new balance between cost of production and income among the world basic industries can be obtained. The author says the substitution of income for profit would sound the death knell for class struggle; there would no longer be wage-earning and profit-earning classes—both capital and labor would be investors and wage-earners. "Both would have a well-defined interest in income." The author believes that we are witnessing today the increasing use for expansion, of earnings that belong to the upkeep account. "This practice," he states, "now common to both the capitalistic and socialistic systems, is disastrous because it insures a rate of expansion which destroys the savings effected through power machinery, technology and mass-production, and thus confronts us with the choice between meeting the cost of production in advance of expansion or chaos."

The Theory of Free Competition. By C. J. Ratzlaff. University of Pennsylvania Press, Philadelphia, 1936. 341 pages. \$3.00.

This volume aims to state more clearly the nature, operation, and the limitations of competition and the competitive order. The work is divided into four parts. These are: first, a statement of the problem; secondly,

the analysis and statement of the nature of "economic competition"; thirdly, the critical examination of the use of "free competition" in the writings of some leading economists; and, fourthly, the limitations of competition as seen in the economic doctrine and in the programs of control of competition proposed by those writers who have concerned themselves almost solely with this aspect of the subject.

The book traces the development of the theory of free competition as it is found in those economic treatises which economists regard as permanent contributions to economic doctrine. The period considered is from Adam Smith down to the beginning of the present economic depression. Dr. Ratzlaff points out that it may be said that this period constitutes an era of free competition which culminated with the world-wide industrial collapse of 1930. From that time on there has been a phenomenal development of regulation and planning of the competitive order. Beginning with such devices as national economic councils (which antedated the depression) in various European countries, an increasing amount and kind of social control has been undertaken.

The Interstate Commerce Commission: Part Three—Volume B. By I. L. Sharfman. The Commonwealth Fund, New York, 1936. 833 pages. \$5.00.

Both in Part I and Part II of this study, dealing respectively with the legislative basis of the Commission's authority and the scope of the Commission's jurisdiction, some attention was given to the character of the Commission's activities, since the analysis of developments in the above directions was grounded in the Commission's experience as a functioning tribunal. In the first two parts, however, the examination of the administrative record with respect to specific types of activity was largely incidental to tracing the evolution of legislative policy and of the sweep of authority, on a jurisdictional basis, exercised in conformity therewith; this part of

the study deals directly with the character of the Commission's activities. A general survey of the entire field, disclosing the extent and diversity of the Commission's task, is followed by a detailed analysis and appraisal of the Commission's policies and practices in the major spheres of valuation, organization and finance, and rate control. In view of the extensive and complicated character of the Commission's determinations, and in view of the necessity of analyzing processes as well as results, Part III is presented in two volumes, the first of which embraces in addition to the general survey, the valuation project and the control of organization and finance, and the second of which deals with rate regulation, from the standpoint of both the general level charges and their interrelationships.

Creative Management: The Relation of Aims to Administration. By Ordway Tead. Association Press, New York, 1935. 59 pages. 50 cents.

Application of the principles and methods of administration and management, as these have been developing in other fields, to the administrative problems of social agencies and institutions. The aim is not a complete statement of theory and practice in this field but the consideration of a "certain related group of problems which major executives are finding especially urgent and puzzling in their present day-to-day work, as they strive for the better coordination of the activities of governing boards, the professional staff, the operating employees, the volunteers, the membership or clientele and the local community."

The central theme of the discussion is that in organizations which aim at the development of personality and its consequent effects in the community, the way the association or institution is set up, controlled and administered influences directly the possibility of successfully realizing the aims. The author tries to show why this is so and what can be done about it.